



Request for City Council Committee Action from the Department of Public Works

Date: November 19, 2013

To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee

Subject: **Amendments to Contracts with the Metropolitan Airport Commission, the City of Edina, the Joint Water Commission, the City of Hilltop and the City of Columbia Heights for Water Distribution**

Recommendation:

Authorize proper city officers to amend contracts as follows:

- 1) C-26824 with the Metropolitan Airports Commission for the purpose of providing a new methodology for applying the inside city rate increases to the Metropolitan Airport Commission. Also, to define how costs for a future groundwater supply will be applied in a future cost of service study. Lastly, to define the volumes of water used for future cost of service studies to be defined as a three year average rather than a single year volume.
- 2) C-26961 with the City of Edina for the purpose of providing a new methodology for applying the inside city rate increases to the City of Edina. Also, to define how costs for a future groundwater supply will be applied in a future cost of service study. Lastly, to define the volumes of water used for future cost of service studies to be defined as a three year average rather than a single year volume.
- 3) C-22438 with the Joint Water Commission for the purpose of providing a new methodology for applying the inside city rate increases to the Join Water Commission. Also, to define how costs for a future groundwater supply will be applied in a future cost of service study. In addition, to define the volumes of water used for future cost of service studies to be defined as a three year average rather than a single year volume. Lastly, to clarify language regarding the delivery schedule and "off peak" and "on peak" language as it pertains to electrical charges for pumping.
- 4) C-26849 with the City of Hilltop for the purpose of providing a new methodology for applying the inside city rate increases to the City of Hilltop. Also, to define how costs for a future groundwater supply will be applied in a future cost of service study. Lastly, to define the volumes of water used for future cost of service studies to be defined as a three year average rather than a single year volume.
- 5) C-20603 with the City Columbia Heights for the purpose of providing a new methodology for applying the inside city rate increases to the City of Columbia Heights. Also, to

define how costs for a future groundwater supply will be applied in a future cost of service study. Lastly, to define the volumes of water used for future cost of service studies to be defined as a three year average rather than a single year volume.

Department Information:

Prepared by: Bernie R. Bullert, Director Water Treatment & Distribution Services Division

Approved by: _____
Steven A. Kotke, P.E., City Engineer, Director of Public Works

Presenters in Committee: Bernie R. Bullert

Previous Directives:

- June 15, 2009 – Approval of authority to enter into a twenty-year contract, for the sale of water to the Metropolitan Airports Commission
- July 1, 2009 – Approval of authority to enter into a twenty-year contract, for the sale of water to the City of Hilltop.
- June 1, 2004 – Approval of authority to enter into a twenty-year contract, for the sale of water to the City of Edina.
- June 1, 2004 – Approval of authority to enter into a twenty-year contract, for the sale of water to the city of Columbia Heights.
- January 1, 2004 – Approval of authority to enter into a twenty-year contract, for the sale of water to the Joint Water Commission

Financial Impact

- No financial impact

Community Impact

- Neighborhood Notification - NA
- City Goals - NA
- Comprehensive Plan - NA
- Zoning Code - NA

Supporting Information:

Background

The City provides water service to a number of surrounding communities under wholesale contracts. In cooperation with the City's wholesale customers, staff is recommending amendments to these contracts.

The first of the proposed contract amendments change the formula for rate increases for the suburban customers from the inside city percentage increase on volume rates to a formula based on the inside city combination fixed charge rate increase and the volume rate increase. Future rate increases are tied to the average rate increase to a home on a 5/8 inch meter using 7 units of water per month. This allows Minneapolis to change its fixed charge and volume rate, and increase the suburban rates accordingly.

Another portion of the amendment covers the potential future groundwater supply and how it will be brought into the cost of service model for each customer based on their own

situation as to whether they have their own emergency back-up supply or will need to depend on the proposed Minneapolis back-up ground water supply.

In addition to the amendments proposed for all contracts, staff recommends an amendment to the Joint Water Commission contract clause on managing their withdrawal of water from our system to hours where electric rates are lower as they have storage capacity to operate in that manner. The amendment would clarify language regarding the delivery schedule and "off peak" and "on peak" language as it pertains to electrical charges for pumping.

The last part of the proposed amendments is changing the cost of service timing cycle from five years to three years for JWC and Columbia Heights. The other three contracts allow it to be a two year cycle. This last cost of service study completed in 2013 for 2012 was required by the JWC contract, however, for this study, we had a cost of service model built and our own staff trained on the model. Therefore, future cost of service studies should be able to be completed internally or with only minor outside assistance. The three year cycle allows rates to be normalized more frequently and remain more accurate to the contract's intent. In addition, this amendment calls for the sales volume used for future cost of service studies to be based on a three year average rather than a single year so the study results are not as impacted by a wet or dry year scenario.